

RICHARD E. NEAL
FIRST DISTRICT, MASSACHUSETTS

AT-LARGE WHIP



Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON WAYS AND MEANS

RANKING MEMBER
SUBCOMMITTEE ON SELECT
REVENUE MEASURES

DEMOCRATIC LEADER
FRIENDS OF IRELAND CAUCUS

DEAN
MASSACHUSETTS AND
NEW ENGLAND CONGRESSIONAL
DELEGATIONS

May 25, 2016

Chairman Thomas E. Wheeler
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Wheeler,

I write to applaud the Commission's work to promote the deployment of high-speed broadband networks in unserved areas, and to urge the Commission to consider adopting rules for the Connect America Fund (CAF) auction that will complement the efforts of States like Massachusetts that have committed State funds to extending broadband.

Massachusetts has a successful track record of partnering with the Federal government to help address broadband access in rural areas. The Massachusetts legislature created the Massachusetts Broadband Institute (MBI) in 2008 to bring broadband to underserved parts of the State. Since then, on the strength of \$40 million in State investment and a grant from the U.S. Department of Commerce's BTOP program, MBI has built a successful middle-mile network that delivers broadband service to 123 towns in the western part of our State. Even with this success, however, much work remains to be done to close the digital divide. Currently 44 towns in Massachusetts lack any residential broadband access, and several more have substantial coverage gaps.

To address this need, in 2014 the Massachusetts legislature allocated an additional \$50 million to support the development of residential broadband service in these rural areas of the Commonwealth. As part of the CAF Phase II allocation process, I understand that Massachusetts is eligible for up to \$45 million of Federal support over a ten year period. The CAF Phase II program presents an exciting opportunity for the Federal government to partner once again with our State to address a pressing need for broadband service and to maximize the potential return on public investment in broadband infrastructure.

341 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5601

300 STATE STREET
SUITE 200
SPRINGFIELD, MA 01105
(413) 785-0325

SILVIO O. CONTE FEDERAL BUILDING
78 CENTER STREET
PITTSFIELD, MA 01201
(413) 442-0946

As the FCC contemplates rules for its reverse auction to be conducted later this year, I therefore urge the Commission to build on this successful Federal-State partnership by adopting the following recommendations.

1. The FCC should give special consideration to bids that are associated with existing BTOP programs or supported by parallel State grant programs that will provide additional resources to the effort to deliver rural broadband service. These factors warrant special consideration given that existing investment in a broadband program and continued State investment and oversight are likely to improve the likelihood of a project's success.
2. The FCC should seek to increase the pool of potentially qualified bidders by adopting less stringent audit requirements for Eligible Telecommunications Carrier (ETC) providers that are supported by an existing State grant. I understand that in the past, the FCC has required successful CAF applicants to have three years of audited financials and a letter of credit (LOC) from a top 100 bank to receive CAF support. While I recognize this requirement exists to qualify the financial stability of a proposed carrier, such a stringent standard creates a high barrier to entry for smaller non-traditional providers that may be willing to develop service in areas unattractive to more established carriers. If a smaller provider can demonstrate existing State support, then much of the potential risk associated with the provider's smaller size will be alleviated. Adopting a more relaxed set of requirements would significantly reduce the cost of becoming an ETC, and therefore increase the number of providers that will participate in the auction.
3. In the event no successful bidder emerges from the auction process for Massachusetts, the FCC should commit to keeping those dollars allocated to the communities for which they are intended. I understand that Verizon earlier declined support in Massachusetts, and that it is unclear whether Verizon will participate in this new auction process. I am concerned that this sort of business decision by a large carrier could ultimately penalize residents in unserved communities by denying them access to much needed support. To avoid this, the FCC should ensure CAF funds are disbursed to all states in the amounts previously allocated in the CAF Phase II model-based funding round. Moreover, should the auction process fail to identify a successful bidder in a given area, the FCC should consider partnering with States with demonstrated expertise in developing broadband service to identify possible CAF participants for the leftover funds. In Massachusetts, the MBI has had success in identifying non-traditional providers to bring broadband to rural communities. If the auction process does not produce the intended results, it is important that the FCC consider partnering with states like Massachusetts to identify alternative ways to get support to the communities that need it quickly.

The deployment of high-speed broadband networks is critical to the continued vitality of economies like Massachusetts. The CAF program represents an important chance to ensure that more rural areas like western Massachusetts are not left behind. I urge you to include the above

provisions in the Commission's award criteria to ensure the CAF program successfully achieves its goal of increased broadband access in rural Massachusetts and other areas that, with the benefit of strong State sponsorship, stand best positioned to capitalize on the expanded opportunity that the CAF program presents.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard E. Neal". The signature is fluid and cursive, with a large initial "R" and "N".

Richard E. Neal
Member of Congress